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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**Sale of insurance business and enhanced long-term strategic partnership with Phoenix Group completes transformation to a fee based capital light investment company**

**Summary**

- Sale of capital-intensive insurance business to Phoenix Group while retaining the core of the fast growing Retail channel
- Total consideration of £3.24bn<sup>1</sup>, including £2.28bn<sup>1</sup> in cash and a 19.99% shareholding in Phoenix Group
- Enhanced and expanded strategic partnership with Phoenix Group providing a long-term source of assets, access to retail customers as well as the opportunity for wider collaboration
- Standard Life Aberdeen also today announces its full year results for 2017

**Key highlights**

- Accelerates strategy of building a world-class investment company completing the transformation to a fee based capital light business
- Significantly simplifies the Group, supporting extraction of further efficiencies across the Standard Life Aberdeen business
- Enhanced long-term strategic partnership and valuable investment in Phoenix Group providing:
  - Investment management over £158bn of assets under management (AUM)
  - A commitment to review further investment management mandates not currently managed by Aberdeen Standard Investments, subject to normal commercial and governance constraints
  - Opportunity for wider collaboration as the asset manager of choice for Phoenix Group
  - Reinforced through 19.99% shareholding and representation on Phoenix Group board
- Standard Life Aberdeen will retain its market-leading and fast growing adviser platforms (Wrap, Elevate and Parmenion) and financial advice business (1825) with £58bn of assets under administration (AUA), a business with a five year compound annual growth rate (CAGR) in AUA of 35% and a five year revenue CAGR of 26%
- Realises attractive value for the insurance businesses being sold through cash proceeds and a strategic investment in UK's pre-eminent closed life fund consolidator
- Strengthens our financial position enabling Standard Life Aberdeen to accelerate its growth strategy through targeted investments, while maintaining its commitment to efficient capital management and a progressive dividend policy

Commenting on the Transaction, Sir Gerry Grimstone, Chairman of Standard Life Aberdeen, said:

“This transaction completes our transformation to a capital light investment business, a process started in 2010 with the sale of Standard Life Bank, continuing with the sale of our Canadian business and the merger last year between Standard Life and Aberdeen Asset Management. This transaction represents excellent value for our shareholders,

including a comprehensive and mutually beneficial strategic relationship entered into with Phoenix Group, a longstanding partner of the firm. In addition, I am particularly pleased to note Phoenix Group's commitment to maintain operational headquarters in Edinburgh."

Commenting on the Transaction, Martin Gilbert and Keith Skeoch, Co-CEOs of Standard Life Aberdeen, said:

"Today's announcement represents a logical next step in Standard Life Aberdeen's journey to build a world-class investment company positioning us strongly for the future and enabling us to meet the evolving needs of our customers and clients. We have a diverse range of modern investment capabilities with global distribution and our leading UK retail platforms are growth engines generating significant net inflows for our asset management business.

"The enhancement of our strategic partnership with Phoenix Group is evidence of our market-leading insurance asset management capabilities. It is also a great opportunity for wider collaboration as the asset manager of choice for Phoenix Group who see further significant consolidation opportunities. With the foundations of a world-class investment company in place we look forward to capitalising on the opportunities that we see ahead of us whilst continuing to deliver for our shareholders."

## **Overview**

Standard Life Aberdeen plc ("Standard Life Aberdeen") today announces the sale of its capital-intensive insurance business to Phoenix Group Holdings ("Phoenix Group") (the "Sale") and an expansion and significant enhancement of their existing long-term strategic partnership (the "Strategic Partnership", and together with the Sale, the "Transaction").

The Sale involves the disposal of Standard Life Assurance Limited ("SLAL"), with Standard Life Aberdeen retaining its UK retail platforms and financial advice business (the "Retail Platforms"). The businesses transferring to Phoenix Group as part of the Sale include the UK Mature Retail and Spread/risk books and the Europe, UK Retail and Workplace businesses (the "Disposed Businesses").

On completion Standard Life Aberdeen will receive total consideration of £3.24bn<sup>1</sup>, comprising cash consideration of £2.28bn<sup>1</sup> and a shareholding of 19.99% in Phoenix Group.

Standard Life Aberdeen and Phoenix Group have agreed to significantly enhance and expand their existing long-term strategic partnership whereby Standard Life Aberdeen continues as Phoenix Group's long-term asset management partner for the business acquired by Phoenix Group and the existing arrangements between the parties under which Aberdeen Standard Investments manages £48 billion of assets for Phoenix Group have been extended. The Phoenix Group life companies have committed to review the investment management mandates not currently managed by Aberdeen Standard Investments, subject to normal commercial and governance constraints.

## **Background to and reasons for the Sale**

Following the merger of Standard Life and Aberdeen Asset Management in 2017, this Transaction completes the transformation to a fee based capital-light business and is a major step towards the creation of a world-class investment company.

SLAL was founded in 1825 and is one of the UK's oldest life and pensions businesses. Today it is a leading provider of long-term savings and investment propositions, primarily based in the UK, with operations in Ireland and Germany, and serving around 4.5 million customers and clients.

In recent years, SLAL has focused on investing in its range of modern savings propositions in the workplace and retail savings markets, where it has built leading positions. The successful execution of this strategy has led to growth in Workplace and Retail AUA of 123% over the last five years, while revenues increased by 53%.

While the long-term savings market in the UK is supported by attractive structural growth trends, the Board believes that Standard Life Aberdeen can best capture the benefits of these growth dynamics through Aberdeen Standard Investments and its Retail Platforms. In partnering with Phoenix Group, whose expertise is in administering and servicing long-term savings, Standard Life Aberdeen is able to realise attractive value for the Disposed Businesses, while continuing to benefit from access to related assets and flows.

## Key benefits of the Sale

The Transaction is consistent with Standard Life Aberdeen's strategy to build a world-class investment company:

- The Strategic Partnership is underpinned by long-term agreements supporting the £158bn of AUM currently managed by Aberdeen Standard Investments on behalf of both SLAL and Phoenix Group. In addition, subject to normal commercial and governance constraints, Phoenix Group has committed to review further investment management mandates not currently managed by Aberdeen Standard Investments, who will be its preferred asset management partner for insurance investment solutions, as well as future consolidation opportunities
- Standard Life Aberdeen retains its market-leading Retail Platforms, together with Parmenion, with AUA of £58bn. The retained platforms have generated organic net inflows of between 18% and 26% of opening AUA in each of the last five years, resulting in AUA CAGR of 35% over the same period. Its platform and financial advice businesses offer Standard Life Aberdeen greater proximity to retail customers at a time when individuals are becoming increasingly responsible for their own saving needs and the need for financial advice continues to grow
- Standard Life Aberdeen's medium-term earnings growth profile is expected to be enhanced by the Transaction:
  - Significantly simplifies the retained group, supporting extraction of further efficiencies across the Standard Life Aberdeen business. Following the Sale and the delivery of cost savings from the merger of Standard Life and Aberdeen Asset Management, Standard Life Aberdeen will target a cost/income ratio of less than 60% in the medium term
  - Retained Retail Platforms have attractive, sustainable growth prospects and benefit from substantial operating leverage
- The Sale realises attractive value for the business through cash proceeds and an investment in Phoenix Group with total consideration of £3.24bn<sup>1</sup>
- Standard Life Aberdeen will receive cash proceeds of £2.28bn<sup>1</sup> and its remaining businesses will have significantly lower capital requirements. Its strengthened financial position will enable Standard Life Aberdeen to accelerate its growth strategy through targeted investments, while maintaining its commitment to efficient capital management and its progressive dividend policy
- Post completion over 50% of the enlarged Phoenix Group's people will be based in Edinburgh and Phoenix Group has indicated that its long-term intention is to maintain operational headquarters in Edinburgh to benefit from SLAL's highly experienced management team and depth of talent which it sees as fundamental to the future success of its business

## Standard Life Aberdeen following the Transaction

Standard Life Aberdeen will continue to offer its investment solutions to a wide range of institutional, wholesale and retail clients globally, either through its own distribution or through its strategic partners, including Phoenix Group. The business will be better positioned to capitalise on global trends that are shaping the savings and investments landscape. The Transaction enables Standard Life Aberdeen to continue to invest for the future, to meet the needs of customers and clients, and to generate growing and sustainable returns for shareholders.

Following the Transaction, Standard Life Aberdeen will have:

- An extensive range of investment capabilities, with expertise in "new active" meeting client demand for next generation investment and savings solutions
- Breadth and depth in distribution with the right capabilities and solutions, brand and scale to compete globally
- Leading retail platforms capturing the significant opportunity in wealth management, driving strong, sustainable flows and offering unique distribution for Aberdeen Standard Investments
- The Strategic Partnership with Phoenix Group in workplace and insurance solutions positions Standard Life Aberdeen for long-term structural growth trends

- Global reach, with strategic partnerships providing scale in international markets
- Efficient and scalable operations that are capable of driving improving profit margins from asset and revenue growth
- Financial strength and cash generation supporting continued investment for growth and the company's progressive dividend

### **Principal terms of the Sale**

The total consideration payable to Standard Life Aberdeen by Phoenix Group in respect of the Sale is £3.24bn<sup>1</sup>. This comprises cash payable on completion of £2.0bn, a dividend to be paid by SLAL to Standard Life Aberdeen of £0.3bn in Q2 2018 and new shares issued at completion representing 19.99% of the then issued share capital of Phoenix Group following the completion of the rights issue undertaken to part finance the acquisition and worth £1.0bn based on Phoenix Group's share price on 22 February 2018.

The consideration is subject to adjustment in certain circumstances, including if assets or mandates associated with the Phoenix Group and SLAL are withdrawn in certain circumstances prior to the tenth anniversary of the transaction.

The share purchase agreement and related documentation for the Sale contains representations and warranties, covenants, indemnities and undertakings. The conditions for the transaction include:

- Approval of the transaction by the shareholders of both Standard Life Aberdeen and Phoenix Group
- Merger clearance and regulatory consents
- Successful completion of a rights issue by Phoenix Group
- Certain share transfers being effected as part of a reorganisation of the Standard Life Aberdeen group

The share purchase agreement for the Sale provides for a reciprocal break fee payable in certain situations.

It is anticipated that the existing investment management agreements pursuant to which investment management services are provided to SLAL, Phoenix Life Limited and Phoenix Assurance Limited will remain broadly on the same terms as the existing arrangements and will each be for a rolling three year term.

Under the terms of a new relationship agreement, Standard Life Aberdeen will have rights to two board seats as long as its shareholding is above 15% and one board seat above 10%. The shareholding is subject to a lock-up of 12 months from completion.

Standard Life Aberdeen views its shareholding in Phoenix Group as a core component of its long-term partnership with Phoenix Group. The Strategic Partnership rests on the complementary strengths of each company: Phoenix Group as an administrator of long-term savings and Standard Life Aberdeen as a provider of investment solutions. It is underpinned by mutually beneficial commercial nature of the relationship, the long-term agreements entered into as part of the Transaction and Standard Life Aberdeen's shareholding in Phoenix Group.

Additionally, through its shareholding, Standard Life Aberdeen will share in the benefits of the combination of SLAL and Phoenix Group's businesses and in the future growth of Phoenix Group.

Should the transaction not complete before the record date of the Phoenix Group interim dividend for the financial year 2018, Standard Life Aberdeen will be entitled to receive a payment equal to the amount which would have been received as part of the Phoenix Group interim dividend had the transaction completed before this date.

The Sale constitutes a Class 1 transaction for the purpose of the Listing Rules and is conditional upon the approval of Standard Life Aberdeen's shareholders at a General Meeting.

The Sale is expected to complete in the third quarter of 2018 and is also conditional upon relevant regulatory approvals, including from the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA").

## Information on the Disposed Businesses

SLAL is a leading provider of long-term savings and investment propositions, based in the UK, with operations in Ireland and Germany, serving around 4.5 million customers and clients. The businesses transferring to Phoenix Group as part of the Sale comprise:

- Spread/risk
- UK Mature Retail
- UK Retail (excluding the adviser platforms Wrap, Elevate and Parmenion and financial advice business 1825)
- UK Workplace
- Europe

Summary financial information with respect to the Disposed Businesses is set out below:

	<b>2017</b>
	<b>£m</b>
Fee based revenue	796
Spread/risk margin	165
<b>Total adjusted operating income</b>	<b>961</b>
Total adjusted operating expenses	(457)
Investment management fees to ASI	(125)
Adjusted operating profit	379
Capital management	2
<b>Adjusted profit before tax</b>	<b>381</b>
Analysed between:	
Fee	224
Spread/risk	157
<b>Adjusted profit before tax</b>	<b>381</b>
<b>Total assets under administration (£bn)</b>	<b>159</b>

Aberdeen Standard Investments will continue to manage £110.5bn of AUM on behalf of the Disposed Businesses, while Phoenix Group will continue to provide and administer insurance products to Standard Life Aberdeen's Retail Platforms representing £24.5bn AUA comprising largely SIPPs and offshore bonds.

## Information on the retained Retail Platforms

The following elements of the UK Pensions and Savings business will be retained by Standard Life Aberdeen:

- UK Retail Platforms, including Wrap and Elevate
- 1825, its financial advice business

Standard Life Aberdeen's retained Retail Platforms, together with Parmenion, are the largest provider of adviser platforms in the UK with £58bn of assets serving over 3,000 adviser firms and providing access to the full range of Aberdeen Standard Investments' investment capabilities. The UK Retail Platforms have grown AUA by 353% over the last five years, generating net flows of £24.6bn at an annualised rate of 35%.

Standard Life Aberdeen continues to grow its 1825 financial advice business, which offers a full financial planning and personal tax advice service. Offering a wide range of investment options, supported by investment experts and technology, clients are able to access support how and when they need it. Standard Life Aberdeen has acquired four adviser firms to date, broadening its reach across the country and bringing total assets under advice in 1825 up to £3.6bn.

1. Inclusive of a £312m dividend payable from Disposed Businesses to Standard Life Aberdeen pre-completion.
2. Excludes SLAL AUM of £18.3bn included in growth channels.

## **Current trading**

Standard Life Aberdeen today issued its results for the full year ended 31 December 2017.

## **Media**

A conference call for the media will take place on Friday 23 February at 7.30am (UK time). Participants should dial +44 (0)330 336 9411 and quote 'Standard Life Aberdeen'. A replay facility will be available for seven days after the event. To access the replay please dial +44 (0)207 660 0134 followed by the pass code 4609114.

## **Investors and analysts**

An analyst and investor presentation will take place on Friday 23 February at 8.30am (UK time). The presentation will take place at Standard Life Aberdeen plc, Bow Bells House, 1 Bread Street, London, EC4M 9HH. There will also be a live webcast and teleconference starting at 8.30am. Participants should dial +44 (0)330 336 9411 and quote 'Standard Life Aberdeen'. A replay facility will be available for seven days after the event. To access the replay please dial +44 (0)207 660 0134 followed by 4207551.

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## **Important Notices**

*This announcement is for information purposes only and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Transaction.*

## **Inside Information**

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. By the publication of this announcement, this inside information is now considered to be in the public domain.*

## **Overseas Jurisdictions**

*The release, publication or distribution of this announcement in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable legal or regulatory requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law the companies and persons involved in the Transaction disclaim any responsibility or liability for the violation of such restrictions by any person. This announcement has been prepared for the purpose of complying with English law and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.*

## **Cautionary Note Regarding Forward-Looking Statements**

*This announcement (including information incorporated by reference into this announcement), oral statements regarding the Transaction and other information published by Standard Life Aberdeen may contain certain “forward-looking statements” with respect to the financial condition, performance, results, strategy, objectives, plans, goals and expectations of Standard Life Aberdeen and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Standard Life Aberdeen about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example, statements containing words such as “may”, “will”, “should”, “could”, “continue”, “aims”, “estimates”, “projects”, “believes”, “intends”, “expects”, “hopes”, “plans”, “pursues”, “seeks”, “targets” and “anticipates”, and words of similar meaning, may be forward-looking. These statements are based on assumptions and assessments made by Standard Life Aberdeen in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and depend on circumstances which may be or are beyond Standard Life Aberdeen’s control, including among other things: UK domestic and global political, economic and business conditions (such as the United Kingdom’s exit from the European Union); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by Standard Life Aberdeen or its affiliates and/or within relevant industries; default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life Aberdeen and its affiliates operate. These may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard*

*Life Aberdeen's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements. Persons reviewing this announcement should not place undue reliance on forward-looking statements. Neither Standard Life Aberdeen nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this announcement or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of Standard Life Aberdeen and its affiliates in this announcement may not be indicative of, and are not an estimate, forecast or projection of, Standard Life Aberdeen's or its affiliates' future results.*

### **Rounding**

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

### **Publication on website and availability of hard copies**

*A copy of this announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Standard Life Aberdeen's website [www.standardlifeaberdeen.com](http://www.standardlifeaberdeen.com) by no later than 12 noon (London time) on the Business Day following this announcement. For the avoidance of doubt, the contents of the website referred to in this announcement are not incorporated into and do not form part of this announcement.*

*Standard Life Aberdeen shareholders may request a hard copy of this announcement by: (i) contacting Standard Life Aberdeen Shareholder Services during business hours on 0345 113 0045 or +44 (0)20 3367 8224, (ii) by submitting a request in writing to Standard Life Aberdeen Shareholder Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU.*

*If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.*

*LEI number of Standard Life Aberdeen plc: 0TMBS544NMO7GLCE7H90*

### **Important notices relating to financial advisers**

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), is authorised in the UK by the PRA and regulated in the UK by the PRA and the FCA. J.P. Morgan Cazenove is acting as joint financial adviser exclusively for Standard Life Aberdeen and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters set out in this announcement and will not be responsible to anyone other than Standard Life Aberdeen for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, or for providing advice in relation to any matter referred to herein.*

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